4-29-98 Decision on Remand

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U.S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Metro Traffic Control, Inc., substituted for
Shadow Traffic Network, Inc.
v.
Shadow Network, Inc. and CitiTraffic Corp.,
joined as party defendant

Cancellation No. 19,291
On Remand From The Court of Appeals
For The Federal Circuit

Roberta Jacobs-Meadway and Karol Kepchar of Panitch Schwarze Jacobs & Nadel, P.C. for Metro Traffic Control, Inc.

Arthur Makadon, Jamie Bishoff and Robert Baron, Jr. of Ballard Spahr Andrews & Ingersoll for Shadow Network, Inc. and CitiTraffic Corp.

Before Rice, Cissel and Hanak, Administrative Trademark Judges.

Opinion by Cissel, Administrative Trademark Judge.

On January 7, 1997, the Court vacated the August 25, 1995 decision of the Trademark Trial & Appeal Board denying the petition to cancel Registration No.1,363,743, and remanded the case to the Board for further consideration of several specified factual matters. The Court began its opinion by likening the factual background of this case to the congested streets of New York or Philadelphia during

rush hour, acknowledging that the Board had provided guidance in navigating through some of the factual tangles and snarls, but concluding that we had gone astray in finding that petitioner had lost its priority in 1990 by defaulting on the loan used to purchase SNI-NJ. The Board acknowledges its error and hopes that with the guidance of the Court, we can now navigate properly through the factual snarls and legal tangles to reach the correct resolution of this long-pending dispute.

The Court pointed out that the erroneous conclusion that petitioner could not establish priority was based on the Board's failure to recognize that STNNJ, the New Jersey partnership, and not STNI, which was the successor to SNI-PA, was the entity that secured the bank loan with the registration, and that it was therefore STNNJ, not STNI, which defaulted on the loan, thereby forfeiting to the bank the collateral for it.

That is, of course, what the record shows. On November 21, 1986, STNI had agreed that it or its nominee would purchase SNI-NJ, but what we failed to recognize was that STNI's right to purchase the assets of SNI-NJ, including the registration, was assigned just prior to the closing of the sale a month later to the partnership, STNNJ, which was a separate legal entity. To make this purchase, STNNJ used money loaned by the bank and secured by, among other things, SNI-NJ's registration of the mark "SHADOW TRAFFIC." Some STNI stock was pledged as collateral by some of the

individual people who guaranteed the loan, but STNI remained a separate legal entity from STNNJ throughout the loan transaction, and, in fact, throughout the entire period during which it existed. It was STNNJ, not STNI, which bought the SNI-NJ registration and then forfeited it to the bank, which then sold it to CitiTraffic, the respondent in this proceeding. Neither the bank nor CitiTraffic acquired any rights in the mark from STNI, so the Board's conclusion that petitioner's prior rights in the mark, established by petitioner's predecessor in 1976, were relinquished when "STNI" defaulted on the loan was simply an erroneous finding of fact by this Board, not based on the facts established by this record.

The Court therefore reversed the Board's decision on priority of use, but did not go on to conclude that petitioner is entitled to the cancellation of the registration. Rather, the case was remanded to the Board for consideration of "whether STNI and STNNJ, although formally separate entities, were operated in such a way that they appeared to the consuming public as one entity." (Remand Opinion, p.8). The Court noted that the record discloses a close relationship between STNI and STNNJ, and directed the Board on remand to consider whether they held themselves out to the public as a single operation, and whether STNI's prior common law rights in the mark "merged" into STNNJ's registration "during that period of joint operation and control." The Court also directed the Board

to consider respondent's theory that STNI is estopped, as the alter ego of STNNJ, which assigned the registration to the bank, from contesting the validity of the assigned registration.

On February 13, 1997, the Board asked the parties to submit briefs on the issues identified by the Court. In addition thereto, the Board sought the parties' views on the question of whether, and if so how, the right to the registration may have been separated from the right to use the mark.

Crossing in the mail with the Board's request was a consented motion for permission to submit such briefs and present oral arguments to the Board in regard to the issues for consideration by the Board on remand. The motion, submitted by petitioner, also included the acknowledgment that "(f)urther, it may be appropriate for additional evidence to be submitted directed to the factual matters which are to be addressed on remand."

Petitioner filed a brief, respondent filed a brief, and petitioner filed a reply brief. Along with its brief, respondent filed a notice of reliance on copies of six newspaper articles. Respondent contends that the Board may take judicial notice of these articles, and that they are relevant to the issue of whether STNI and STNNJ were operated in such a way that they appeared to the consuming public as one entity. The articles are from editions of the Philadelphia Inquirer and Newsday from 1987 through 1990.

The articles discuss the Shadow Traffic operations in Philadelphia, New York and elsewhere. Sometimes the articles appear to refer to a single network, while elsewhere the Philadelphia and New York operations are discussed as if they are distinct, although related, entities.

Petitioner objected to our consideration of the above-referenced evidence on the ground that it is not proper for the Board to take judicial notice of these articles, and that they are hearsay. The articles are excerpts from printed publications. Such materials are ordinarily not the type of evidence of which the Board may take judicial notice. The information in these articles is not universally regarded as established by common knowledge, such that it does not need to be proved because it is already known. Rather, articles like these may be introduced by a notice of reliance in accordance with Trademark Rule 2.122(e).

The statements made in the articles are hearsay, however, so they cannot be considered as proof of the truth of the matters asserted therein. They can (and have been) considered by the Board as information that the newspaper-reading public in Philadelphia was exposed to during that period. The relevant purchasing public for the services of the parties consists of people who work for the radio stations and advertisers, however, and although these people unquestionably also constitute part of the general public to

whom newspapers are sold, the mere existence of six articles spread out over this four-year period does not persuade us that a significant portion of the radio station and advertiser personnel in question were even aware of this information, much less that they took the ambiguous statements made in these reports as establishing that the two entities were actually only one. The record does not provide any information about the basis for the statements made by the authors of the articles regarding the relationship between the New York business and the one in Philadelphia, so we cannot conclude that the statements or actions of either or both parties caused the authors to make the statements they made.

Additionally, and in any event, as we noted above, the Court's remand is for the Board to evaluate whether the record shows that STNI and STNNJ were operated in a way that they appeared to their customers as a single entity, and whether they held themselves out as such. Not only do the newspaper articles fall short of persuading us that the relevant purchasing public perceived the two businesses as a single entity, they do not show the conduct of either STNI or STNNJ. What they show is inconsistent and sometimes ambiguous treatment of the two entities by the press. Even without the other problems with this evidence, we cannot consider the newspaper articles as establishing that these entities themselves acted in ways that caused them to appear

as a single entity to the radio stations and advertisers who constitute their customers.

The request for oral argument of the issues we are directed by the Court to consider on remand is denied. The Court did not order such argument. Neither the Federal Rules of Civil Procedure nor the Trademark Rules of Practice require it. The Board is of the opinion that the briefs filed by the parties make their respective positions and the support asserted for them clear, so that an additional oral presentation of them would not be likely to provide the Board with additional perspective on these issues.

Additionally, it is significant that neither party requested reopening of testimony on the issues the Court directed us to consider on remand. For the record, we note that in response to separate telephone inquiries by the Board on March 17, 1998, counsel for the respective parties indicated that they do not now seek to take additional testimony on these issues. We have accordingly based our decision on the evidence and testimony properly made of record during the trial period prior to the appeal to the Court of Appeals for the Federal Circuit, with the addition of the aforementioned newspaper articles subsequently submitted by respondent.

We therefore turn now to the question of whether STNI and STNNJ, although separate legal entities, were operated in such a way that they appeared to the consuming public as a single entity. Based on the record before us, we cannot

reach the conclusion that they were. Although there is testimony concerning a limited amount of comarketing or joint promotion of the services of both entities under the "SHADOW TRAFFIC" mark, such joint activity was informal, occasional, and relatively minor in both quality and quantity. On occasion, these separate entities did have some common customers. These were businesses which sought to advertise their products or services in both the Philadelphia and New York markets. STNI and STNNJ, however, operated for the most part independently within their respective geographic areas. The use of the mark by each entity was essentially limited to the geographic area in which that particular entity did business, without significant overlap into the area served by the other.

There was indeed some overlap, but not identity, between the shareholders and officers of the two companies, and even some of the management people at times served both businesses. The two businesses, however, were distinct, separate entities, neither related companies within the meaning of the Lanham Act, nor "alter egos," such that their independent natures can be ignored in the determination of which entity owns the mark. Although there were isolated instances when they referred to themselves as belonging to a single network or system, they did not engage in regular or substantial activities holding themselves out to the public as a single operation. This record does not show that STNI and STNNJ consistently presented to their customers a

"common front " Each entity had different radio station affiliates and different advertisers in different geographic areas, served by separate staffs for sales, billing, and traffic reporting.

It is significant that there is no evidence or testimony concerning the extent of the limited cooperative efforts of the New York and Philadelphia businesses during the co-existence of STNI and STNNJ, that is, during the period from December 1986 to January of 1990. Even more significant is the fact that we are presented with no evidence of the actual effect on customers and potential customers of whatever cooperative activities did take place.

The record does show that at times, during the period from 1979 through 1981, especially during the start-up period for the New York business (SNI-NJ) in 1979, the two then-existing entities, SNI-PA and SNI-NJ, shared some customers, some traffic information, and even, at one point, some office space. Nevertheless, even then, the Philadelphia and New York entities were basically kept separate, with different clients, separate staffs, separate business plans, separate books of account, and separate meetings for shareholders and directors.

Our statement, at page 5 of our first opinion in this case, that during the period from 1979 through 1981, SNI-PA and SNI-NJ were "closely related in many ways," was not intended to represent the legal conclusion that the two were related companies within the meaning of the term as it is

defined by Section 45 of the Lanham Act. That comment and other similar ones we made instead represented our conclusion that during that particular early period, when the New York business was getting going, the two separate entities, SNI-PA and SNI-NJ, cooperated with each other to achieve common goals with respect to marketing their respective services. We note that later, during the period when STNI and STNNJ coexisted, from December of 1986, when STNNJ bought the business and the registration from SNI-NJ, through the beginning of 1990, when the registration was forfeited to the bank and then sold to CitiTraffic, there is far less evidence of continued cooperation.

Respondent argues that portions of the Biermann, Marks and Hirshland testimony support the contention that "STNI's employees perceived the Shadow Traffic operations in the Philadelphia and New York metropolitan areas as a single integrated company," (p.14, brief on remand). Respondent presents this argument as part of its claim that the two entities "functioned and promoted their services to the public as one entity." (same brief, p.13).

The Marks and Hirshland testimony referred to simply does not show that STNI and STNNJ consistently functioned as a single, integrated business, that they presented a "common front," or that they promoted themselves as such to the radio stations and advertisers who were their customers and potential customers. These two witnesses do not appear to have mistakenly believed that both the New York and

Philadelphia operations were owned or controlled by a single entity. There is no testimony or evidence that these two witnesses acted in such a way as to give anyone else that idea, or that they were aware of any such actions by others in either organization.

In contrast, the testimony of Mr. Biermann does raise some questions. It shows that in late 1991, when he gave his testimony in this case, he was an employee of the plaintiff, Metro Traffic Control. At that time, he recounted his history with the entities rendering "SHADOW TRAFFIC" services over the years. In 1976, Mr. Biermann had been hired away from a competitor, the ARCO Go-Patrol, by Mr. Lenet. He began as a traffic reporter and moved up to the position of director of operations for SNI-PA. Then, in late 1979, Mr. Lenet sent him to New York as director of the new operation there. He held that position through 1988.

His testimony is that in 1989, when he left to go with Metro Traffic Control as regional director of operations for Detroit, Cleveland and Pittsburgh, he was under the impression that there was common ownership of both the Philadelphia and New York businesses. He testified that he thought that " Philadelphia was the corporation entity, but how it was structured, I don't know." (p.14 of his testimony).

The record does not reveal the basis for his belief that in 1989 the Philadelphia organization controlled the New York one as well. As one of the early employees of the

Pennsylvania corporation, Mr. Biermann plainly had knowledge that SNI-PA had been rendering traffic reporting services under the mark for years before the New York traffic reporting business, SNI-NJ, had been set up, that the two companies had shared some investors, officers and directors, and that the start-up of the New York operation was greatly assisted by employees from the Philadelphia operation, including himself. His testimony is that as a manager, rather than an officer or investor in either of the two entities using the mark during his tenure, he did not have access to the documentation establishing the ownership interest and arrangements between, for example, the Lenet operation in Philadelphia and the Air Time operation in New York. His experience during the early days of both SNI-PA and SNI-NJ appears to have been what led him to think that SNI-PA and SNI-NJ, and then, later, their successors, STNI and STNNJ, were in fact parts of a single entity, controlled from Philadelphia.

It is significant, however, that his testimony concerning the cooperative activities between the two operations relates to the period during which he worked setting up and running the New York operation, rather than the period when STNI and STNNJ coexisted. When he was asked whether the sharing of information was by agreement or by an informal arrangement, he testified that at one point it would have been by agreement, but that once Mr. Lenet split from Mr. Goldman's group in 1981, cooperation became "very

limited because of [the] independent companies at that point." (p.13 of his deposition). STNNJ did not even come into existence until five years later, so his testimony concerning cooperative activity does not even relate to the period during which STNI and STNNJ coexisted.

Moreover, there is no testimony or evidence of record that purchasers or potential purchasers of the services of either business, i.e., the radio stations and advertisers in either Philadelphia or New York, would have had the information Mr. Biermann had, or, for that matter, any other basis for reaching the conclusion that the two companies were in fact a single legal entity.

In summary on the effect of Mr. Biermann's testimony, the issue is whether either STNI and/or STNNJ consistently acted in such a way that caused their customers or potential customers to develop the mistaken understanding that there was only one source for "SHADOW TRAFFIC" services. Neither Mr. Biermann's testimony nor anything else in this record establishes that either or both entities acted in ways which caused this to occur. Moreover,to conclude from Mr. Biermann's testimony about his mistaken conclusion concerning the relationship between the two businesses that he promulgated this misinformation to customers and prospective customers would be unjustifiable speculation on the part of this Board. We simply have no testimony or evidence that this ever happened.

Further, this record does not show that STNI and STNNJ were ever in privity with one another, such that the subsequent assignment of the mark to the bank by STNNJ would bar STNI from challenging the validity of the assignment. In order for these two separate entities to have been in privity with each other, there would have had to have been an overlap or succession of an interest in the mark, or an overlap or succession of control over it. Neither of these things occurred. Neither entity acquired the interest of the other, and at no time did either one of the two control the other. Each conducted its own business in its own trading area independent of the other.

The case of West Florida Seafood Inc. v. Jet Restaurants Inc., 31 USPQ2d 1660 (Fed. Cir. 1994), is argued by respondent as supporting the conclusion that STNI and STNNJ should be treated as if they were in fact a single enterprise. That case, however, is readily distinguishable from the facts in the instant case. In West Florida Seafood, unlike the situation in the instant case, only a single corporation and its president were involved. The Court found that advertisements indicated a single source for the restaurant services which were rendered in one location by what was really one business operation, even though the advertisements for the restaurant displayed, variously, the corporate name, the name under which the corporation did business, and the name of the individual who was president of the corporation. Although the consuming

public had, in view of these advertisements, a reasonable basis for concluding otherwise, the Court held that there was in fact only one source for the services.

In the case at hand, however, there were two separate sources for "SHADOW TRAFFIC" services--one in New York (STNNJ), and one in Philadelphia (STNI), each a separate business with all the different characteristics we listed above. The analogy to the facts in West Florida Seafood simply does not apply.

As noted above, there was neither joint operation nor joint control over the use of the mark at issue here. STNI and STNNJ did not operate as a single business in the eyes of their customers. There was no period when there was "joint control" of the services rendered under the mark. STNI unilaterally controlled the use of the mark in connection with its services in the Philadelphia area and STNNJ similarly controlled its use with its own services rendered under the mark in the New York market.

The doctrines of merger and assignor estoppel have been applied in circumstances where a single source is actually responsible for the goods or services sold under a mark or where a predecessor in interest or someone in privity with such an entity is challenging the validity of the subsequent assignment of its rights. In the instant case, the issue of merger was neither pleaded nor tried. It was raised for the first time on appeal. Moreover, neither merger nor assignor estoppel has any application to the factual circumstances

with which we are presented here. Again, there was never any joint ownership or control of the mark or the registration, so there could be no merger. STNI and STNNJ were separate sources for their respective services in their respective areas. It is significant that STNI never owned or claimed to own the registration at issue here, and never attempted to assign the registration to anyone, so the assignor estoppel doctrine clearly does not apply. The registration was based on the use of respondent's predecessor in the New York area in 1979, not on the use of petitioner's predecessor, which had begun in Philadelphia three years earlier.

Petitioner or its predecessors, as the prior users of the mark in connection with identical services, could have registered it based on prior and continuous use. The right to register in this instance did not exist independent of the right to use the mark.

It would be inequitable to divest petitioner of its rights in the mark which, through its predecessors, it has used exclusively in the Philadelphia area continuously since several years before respondent's predecessor's subsequent adoption and use of the same mark for identical services in New York. As petitioner points out, the courts have required strict proof in support of a finding of a forfeiture of valuable trademark rights. Respondent has not provided an evidentiary basis for the Board to conclude that

petitioner should be held to have forfeited its rights in the mark "SHADOW TRAFFIC."

That the predecessors in interest to STNI and STNNJ cooperated with each other in rendering their respective services in their respective areas, and that on occasion, these predecessors even promoted their operations as being part of a "network" should not result in such a forfeiture either. Radio stations, which, as noted above, are customers and potential customers for the services of the parties to this action, are often identified as affiliates of various networks, but we have no evidence that the consuming public concludes from such designations that affiliates of the same network are all parts of a single legal entity, much less that such a network is the sole source for the services of all of its affiliates.

In summary, petitioner's right to use the mark in the Philadelphia area has been consistently maintained through use there by petitioner and its predecessors. Such use was not under the authority or control of respondent or its predecessors. This record does not show that STNI and STNNJ held themselves out as a single operation or that they were operated in a way that caused them to appear as one entity to their customers. As the Court correctly noted, STNI did not forfeit its claim of priority when STNNJ defaulted on the bank loan. Based on that prior and consistent use, petitioner has maintained superior rights to use and register the mark.

Accordingly, because confusion is not just likely, it is inevitable in view of the identity of the marks and the services with which they are used, we must grant the petition to cancel the registration, which is based on respondent's predecessor's subsequent use of the same mark for the same services. The registration will be canceled in due course.

J. E. Rice

R. F. Cissel
Administrative Trademark Judges,
Trademark Trial & Appeal Board

Hanak, Administrative Trademark Judge, dissenting:

I respectfully dissent.

E. W. Hanak
Administrative Trademark Judge,
Trademark Trial & Appeal Board

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